

SURVIVE AND THRIVE

Managing Life with Adult ADHD

Abigail's Podcast Cheatsheet
#028

ADHD and Our Relationship with Money

Yes, you do have a relationship with money. We are going to deal with budgeting, planning for the future, late payments, and setting up a system to manage and prevent the bad consequences that can result from ADHD symptoms.

I do have a disclaimer: I am not a money expert by any stretch of the imagination. Therefore, anything regarding money I talk about is purely from a layman's point of view. Before doing anything regarding your financial situation check with a financial expert. The following is not meant to be in lieu of expert opinion.

I grew up thinking men were bad with money and women were good with money. Imagine my surprise when I discovered that most people thought the exact reverse. In my family my mother managed the money because my father was not good at managing the family finances.

My father was more of a big picture kind of guy. In his work he made big financial decisions that affected many people. He took his responsibilities seriously and was excellent at making these decisions. But when it came to the family financial situation, he was out to lunch. Although he died in 1981 never diagnosed, my family and I believe it is likely he was affected by ADHD.

It is common for those of us affected by ADHD to be able to see the big picture but fall apart when it comes to the details. I believe that is one of the reasons we have so many difficulties regarding money. Money is all about the details.

Budgeting

The first details to attend to include budgeting and tracking your expenses. Budgeting is a scary word for people affected by ADHD. We know we ought to be doing it. We might even like the concept of it, but following through on it stymies us.

Budgeting is a system, and while systems intrigue us, we can make them awfully complicated and then either forget to use them or don't use them because of their complexity.

To get our financial house in shape we all need to have a budget – a simple budget – for three basic reasons.

- *We need to know for sure that more money is coming in than is going out.*
- *We need to be putting money away for the future so that we can maintain our lifestyle once we stop working.*
- *We need to create an emergency fund and grow it as our financial commitments grow.*

If technology helps you stay organized, use it. Many apps are available that can help you create and keep a budget (see the resources at this end of this document.) The simpler the system the better and more likely you will use it.

Spending/Money Going Out

When developing a budget, create categories that break down how you spend money into groups so your money is easier to manage. Be careful not to start out with a million categories. The more categories, the greater the complexity. It's much better to stick to basics.

Example:

- *Rent/Mortgage*
- *Insurance*
- *Medical*
- *Emergency fund*
- *Retirement fund*
- *Transportation*
- *Utilities*
- *Food*
- *Entertainment*
- *Clothing*
- *Miscellaneous*

A common mistake is to plan your monthly budget by taking your total annual expenses then dividing it by 12 to anticipate monthly expenses. However not all expenses are incurred in even monthly segments. Holidays and travel costs don't occur every month. You may have unexpected costs like repairing the dishwasher. Your car insurance may not be due monthly. These oversights can lead to unexpected expenses.

If you do not think it is realistic to expect that you will follow a budget or track expenses, I suggest using the envelope method. With this approach you can use cash set aside by category as a way to manage your spending. You can find instructions easily by searching “money envelope system” online. There are also apps that mimic this approach.

Earning/Money Coming In

On the income side, record what you are taking in. If taxes are automatically taken out before you receive your paycheck, just record the amount of the check.

If you work for yourself or don't have taxes taken out, put aside money for estimated taxes. The best way to do this is to have your bank automatically deposit the appropriate amount into a savings account every time you deposit income. For example, if 15% of your income goes to taxes each year, have the bank deposit 15% of an income check into your savings account. This must be deposited in a savings account that you do not touch except for when you write your checks to the IRS and pay local taxes. If you pay your taxes on a quarterly schedule, you won't have that big tax bill due on April 15. Of course, please talk to a professional regarding any money issue, especially your taxes.

Just as different expenses are due at different times and some months you'll have more expenses, income can vary as well. Some months bring in more money than others. For example, for salaried employees in some months there are two pay periods and in other months there are three pay periods.

Managing Credit Cards

What you spend using your credit cards is part of your budget. The only difference is that payment is delayed until the end of the billing period.

Since interest on credit cards is incredibly high in most cases, do not spend more than you can pay off that month unless it is on an emergency expense. When you do not pay the entire amount due on your credit each month, you are paying much more for whatever it is you think you bought at a great sale.

It is also important not to pay your credit card bills late because the interest charged on many credit cards increase once you have paid late. This means you are paying even more money for the convenience of using a credit card.

One approach to avoid the temptation of overspending or carrying credit card debt is to pay mostly by cash or check. The other is to just make sure to pay the balance off in full each month.

A good way to make sure you are really grasping how much you are paying in interest is to take your credit card statement (print it out if you don't receive it in

the mail anymore) and highlight how much interest you paid that month. Keep doing it with each statement and start adding those amounts together. Getting a little scary isn't it?

Some people get radical and cut up all their credit cards. Don't do that. You may need one in case of an emergency. Do not, however, take on store credit cards because the interest is often even higher than regular credit cards.

If you have balances due on multiple credit cards see if you can switch all the balances to the credit with the lowest interest rate to save yourself some money. Also if you have to pay off the debt on multiple credit cards, pay off the one with the highest interest first if you are unable to consolidate all the debt onto one low interest card.

Avoiding Late Payments

Avoiding paying bills late. First off, late payments can begin to affect your credit rating and some credit cards increase interest after a late payment. For some of us, automatic is a dream come true. For me, it is a nightmare because I lose track of how much I have in different accounts. Since I own my own business, I pay myself. Sometimes I forget to move the money to the correct account. Out of sight, out of mind for me. Getting a bill with a due date reminds me to deposit money from my business account to my personal account and then pay the bill. The lesson here is to know yourself and do what works for you.

Impulsivity and Money

A component of ADHD is impulsivity. Impulse buying and spending plague many of us. With the advent of the Internet we don't even need to leave home to spend our money.

Ordering unplanned things off of the Internet because we feel we need a treat or a pick-me-up can turn into a dangerous, expensive habit. This is where it helps to be able to self-soothe without spending money. Get yourself out of a funk by talking or exercising rather than buying yourself out of it or by eating food when you are not hungry.

Another thing I do is my own form of shock treatment. I figure out all the money that I still need to pay for the rest of the month. This includes any unpaid bills due that month, the cost of grocery trips, anticipated spending on special purchases or to get something fixed, the credit card balances, and any big money items coming up in the near future. I total the amount, making sure to overestimate each item's cost just in case.

Then I look up my bank checking account to see what the balance is. I subtract the total I came up for current and future expenses and take a pause. Is it really in my

best interest to spend the money right on the geegaw? Sometimes the answer is yes, but most often the answer at this point becomes no.

Saving Money

One of the best ways to save money is to have a portion of your automatically deposited paycheck rerouted to your savings account. What you never have, you usually don't miss.

Contributing Towards Retirement

Thinking that you need to put money away for your retirement and that you will just do it by adding more to your savings won't work for a couple of reasons.

- *The money will have virtually no growth so it is easy to think, why bother?*
- *If you do put money aside, you are likely to use those savings in an emergency or pseudo-emergency.*

It's better to open a Roth IRA or something similar because you are less likely to touch the money, it will not be taxed until you take the money out upon retirement, and it will help you differentiate between your emergency savings account and your retirement savings.

The later you start, the larger amounts you will need to contribute. The goal is to increase the percentage in your retirement fund as you increase your income because your expectation of standard of living goes up as your income increases. It is much easier to adjust to a surplus of money in retirement than to adjust to a scarcity of money. As with all of this, consult with a financial expert before acting.

Creating an Emergency Fund

An emergency fund is supposed to cover six months of expenses according to the powers that be. This might not be a realistic goal for those affected by ADHD. I suggest you shoot for setting aside three months' worth of expenses in your emergency fund. This is thinking in an anticipatory way. This is important because as people affected by ADHD, we find that emergencies often happen to us and we're not prepared for them. Also, we are much more likely to lose our jobs than people not affected by ADHD. The emergency fund is therefore more likely to be necessary for us.

If you use some of that emergency money, start replacing it as soon as possible. Don't get complacent. There is no rule that says one emergency can't rapidly follow another. Also, as your income increases, make sure your emergency fund has contributions that reflect that new income.

Taking Charge of Your Finances

Managing money is something that's hard for people with ADHD to do, whether it's because of difficulty with focusing on details, problems with setting up systems, lack of focus on the future, or impulsivity. But managing your money is critical to having the life you want now and in the future. There are ways to do it and to get help doing it even if you are affected by ADHD. Don't deny and don't delay!

Before all else, however, consult a financial advisor. I am providing knowledge based on my own experience and reading, but I am not an expert in this area. Your advisor is and can also give you advice that is specific to your situation.

Resources

Books:

Sarkis, Stephanie and Karl Klein. ADD and Your Money. Oakland: New Harbinger Publications, Inc., 2009

Robin, Vicki. Your Money or Your Life: 9 Steps to Transforming Your Relationship with Money and Achieving Financial Independence: Revised and Updated for the 21st Century.

Olen, Helaine. The Index Card: Why Personal Finance Doesn't Have to Be Complicated.

Richards, Carl. The Behavior Gap: Simple Ways to Stop Doing Dumb Things with Money.

Stanley, Thomas J. The Millionaire Next Door: The Surprising Secrets of America's Wealthy.

Apps:

Mint: app for managing your money

You Need a Budget: app for getting out of debt

Wally: app for tracking expenses

Acorns: app for painless saving